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**Massachusetts
Technology
Development
Corporation**

**Annual Report
1987**

MTDC Objectives

- To help create primary employment in technology-based industries in Massachusetts
- To attract and leverage private investment in Massachusetts companies
- To foster the application of technological innovations where Massachusetts companies are, or can be, leaders
- To nurture entrepreneurship among Massachusetts citizens, planting the seeds for long-term economic development in the State

MTDC's Current Portfolio by Industry

Computer Software and Services	24%	Medical Instruments	10%
Computer Equipment and Peripherals	15%	Fiber Optics	6%
Factory Automation Equipment and Systems	21%	Telecommunications	12%
		Miscellaneous	12%

MTDC Board of Directors and Staff

Board of Directors

HOWARD N. SMITH

Chairman

President

Kurzweil Computer Products, Inc.

HONORABLE JOSEPH D. ALVIANI

Secretary of Economic Affairs

DR. JOHN R. EHRENFELD

Senior Research Associate

Center for Technology, Policy

and Industrial Development

Massachusetts Institute of Technology

JOSEPH S. IANDIORIO, ESQUIRE

Patent Counsel

HONORABLE FRANK T. KEEFE

Secretary for Administration and Finance

TIMOTHY J. McNEILL

Chairman, Investment Policy Committee

McNeill Associates

DR. JUDITH H. OBERMAYER

President

Obermayer Associates

RON E. PAYNE

Corporate Purchasing Manager

Digital Equipment Corporation

DR. ALDEN S. RAINE

Director, Governor's Office of

Economic Development

PHYLLIS SHERRY SWERSKY

Treasurer

Executive Vice President

Artificial Intelligence Corporation

PROFESSOR DAVID N. WORMLEY

Secretary

Head, Department of Mechanical Engineering

Massachusetts Institute of Technology

Officers and Staff

JOHN F. HODGMAN

President

ROBERT J. CROWLEY

Vice President

JEFFREY DAVISON

Senior Investment Analyst

BARBARA A. PLANTHOLT

Senior Investment Analyst

MICHAEL E. A. O'MALLEY

Investment Analyst

ESTHER E. LARSON

Office Manager

GAIL M. CORMIER

Administrative Assistant

MARIE B. PHANEUF

Public Information Officer

KAREN L. BUTTS

Accountant/Computer System

Coordinator

RUTH L. ROBER

Secretary

Report of the Chairman and President


The Massachusetts Technology Development Corporation completed its eighth year of investment operations on June 30, 1987 as an instrument for economic development based upon a public/private partnership. Among the major accomplishments during fiscal year 1987 were:

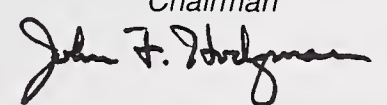
- Xylogics, Inc., in which MTDC made an initial investment in 1980, completed a successful initial public offering of its securities. Seven of the forty-four companies in which MTDC has invested had become publicly-traded companies by the end of FY87.
- Business Research Corporation, in which MTDC had initially invested in 1983 and subsequently invested Pension Reserves Investment Trust (PRIT) funds in 1986, was acquired by International Thompson, Inc. As a result of the acquisition, this investment returned a substantial gain to PRIT in a relatively short time span.
- MTDC developed a pilot program to provide management assistance to small research and development companies funded by the federal Small Business Innovation Research Program (SBIR), the Massachusetts Centers of Excellence Corporation (MCEC), and other R&D funding sources. Two Entrepreneur's Workshops were conducted, which were attended by eighteen companies. These workshops provided instruction and materials on the steps necessary to raise capital in order to become a product-oriented technology enterprise.

This pilot program has been the basis for an expanded FY88 Management Assistance Program funded by increased support from the Governor and Legislature.

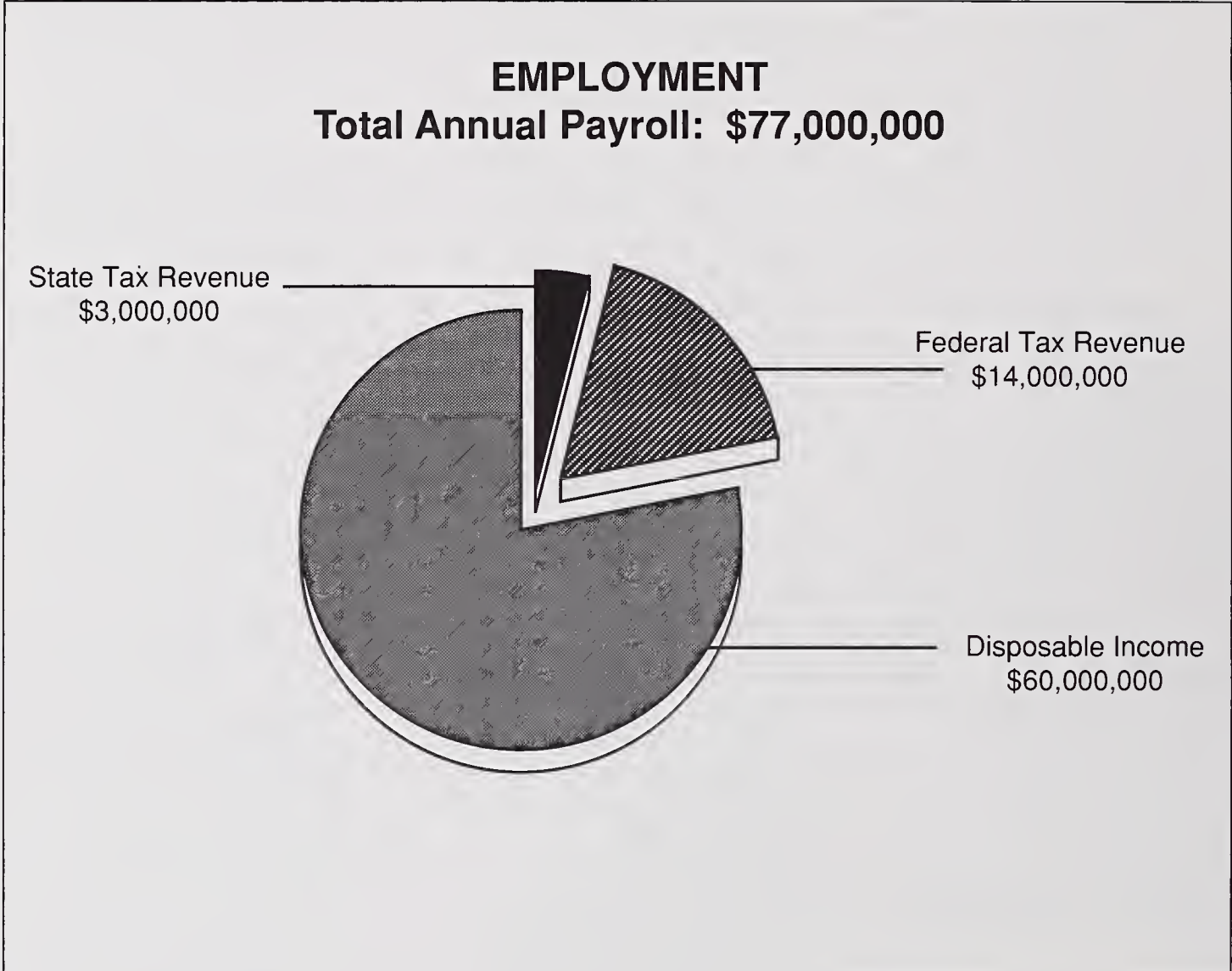
- MTDC realized gains in Fiscal '87 of \$3,697,564 on equity investments. Realized losses on other equity investments were \$103,835. The cumulative realized gains on equity investments since 1980 total \$4,632,218, while cumulative losses on both debt and equity investments total \$1,193,586, for a net gain of \$3,438,632.
- MTDC's portfolio included at June 30, 1987 securities in four publicly-traded companies whose value, based upon the market bid price at that date, exceeded \$2,000,000 and represented potential gains of over \$1,700,000. Since the market value of these securities fluctuates, and since MTDC must hold these securities for certain periods required by SEC regulations, the ultimate gains or losses realized cannot be predicted with certainty. The values of these publicly-traded securities are stated at cost in the enclosed financial statements in accordance with MTDC policy.
- MTDC closed investments in six new companies which it added to its portfolio: Amherst Electronic Instruments, Inc.; Cramer Interactive Systems Group, Inc.; Harbor Medical Devices, Inc.; MicroTouch Systems, Inc.; Tytronics Incorporated; and XRL, Inc. In addition, MTDC invested PRIT funds in Kronos Incorporated.

- By the end of Fiscal '87, MTDC had invested a cumulative total of \$9,900,000 which initially leveraged over \$44,500,000 of private co-investment and bank financing.
- MTDC's investments have helped to create over 1,700 new jobs among the active companies in which it had invested as of June 30, 1987. The total employment among the 35 active companies was over 2,500, which accounted for a total annual payroll in excess of \$77,000,000.
- In other sections of this Annual Report the reader will find descriptions of the corporate objectives, the FY87 investments, the economic benefits of MTDC's activities, and the audited financial statements for Fiscal 1987. This has been a very satisfying year for MTDC in its progress as a unique economic development organization of the Commonwealth.
- It is appropriate to recognize the contributions of Drs. John Ehrenfeld and Judith Obermayer, who recently announced their retirement from the Board of MTDC. Dr. Ehrenfeld has served on the Board since MTDC's inception in 1978. Dr. Obermayer has served on the Board since 1980 and was Treasurer of the Corporation from 1983 to 1987. The Board and staff wish them well and will miss them.


Howard N. Smith
Chairman


John F. Hodgman
President

Economic Benefits



MTDC's primary objective has been to help create employment in Massachusetts, both within the companies it helps to finance and among the firms that provide products or services to these companies. The emerging technology companies that MTDC assists create new employment to offset

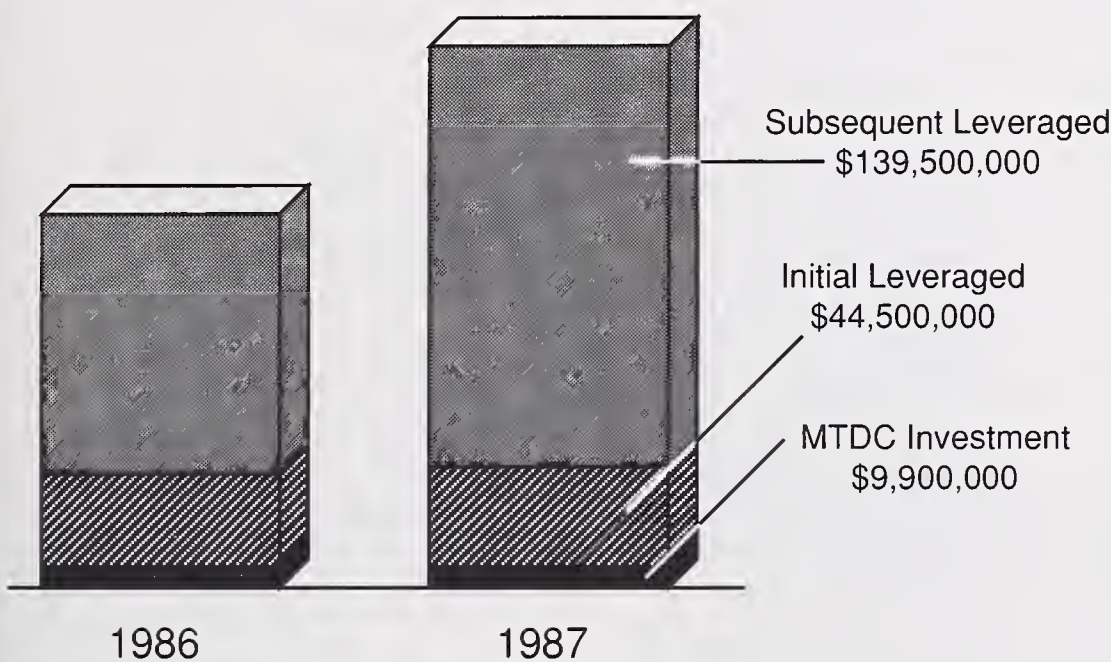
declines in mature industries and older technology companies. In addition, these jobs generate tax revenue that is important to finance both federal and state expenditures.

At the end of FY87, the 35 active companies in which MTDC had invested

since 1978 directly employed over 2,500 people. The estimated total annual payroll of these companies exceeded \$77 million, which generated an estimated total annual tax revenue of over \$14 million to the federal government and over \$3 million to the State.

INVESTMENT DOLLARS

Total Investment: \$193,900,000



MTDC seeks to leverage private investment in Massachusetts companies.

At the end of FY87, MTDC had invested a total of \$9.9 million, which leveraged over \$44.5 million of private investment at the initial phase of financing. Subsequent rounds of financing in MTDC portfolio companies brought the cumulative private dollars invested to \$184,000,000, representing a leverage factor of \$18.59 for every \$1 of MTDC investment.

Innovation

MTDC has the opportunity to foster innovation by investing in companies whose

products and services are new and often at the early stages of market development. In some instances, the innovations provided by these companies have helped to create new industries.

At the end of FY87, MTDC had helped to launch innovative applications of technology in such areas as: infusion therapy devices to improve medical care, laser trimming equipment to increase yields of integrated circuits, on-line quality-control devices for process manufacturers, interactive video directories and transaction stations,

and touch screen computer data entry/inquiry systems.

Entrepreneurship

MTDC works in conjunction with local institutions to nurture entrepreneurship among technologists attempting to transfer research and development in laboratories to commercial, market-driven applications. In 1987 MTDC initiated an expanded Management Assistance Program targeted toward entrepreneurs who have been successful in winning awards from the federal Small Business Innovation Research Program (SBIR). This pool of technology-oriented entrepreneurs is critical to the long-term economic vitality of the Commonwealth.

Since 1980 MTDC has provided management assistance to more than 300 companies by critiquing business plans and referring them to potential private venture capital sources. MTDC has also arranged for entrepreneurs to present their ventures at the MIT Enterprise Forum and Start-Up Clinic. Many of these companies were ultimately financed by private sources without any investment by MTDC.

Investments Approved

Amherst Electronic Instruments, Inc.

Haydenville

In February 1987 MTDC made a \$200,000 combined debt/equity investment in Amherst Electronic Instruments, founded in 1984 to market a line of easy-to-use video production equipment.

Amherst currently sells two products: a machine controller (the CTX) for special effects generators, tape recorders, editing machines and time base correctors; and a time base corrector combined with a machine controller in one package (the AM2100).

MTDC's investment completes Amherst's first round of financing, which was initiated in 1986 by a substantial equity investment from a group of private investors. The company will use these funds to expand its market presence and lay the groundwork for future product development.

Cramer Interactive Systems Group, Inc.

Braintree

In June 1987 MTDC made a \$250,000 debt investment in Cramer Interactive Systems Group. Incorporated in 1986 as an independent spin-off of Cramer Video, the company integrates proprietary software with a wide range of hardware to provide turnkey interactive video systems for merchandising.

The product, as seen by the

consumer, is a stand-alone kiosk, generally located in supermarkets and malls, delivering information in print, sound, motion and still photography, and computer graphics.

The kiosks contain directories which display departments and locate specific items in the store. The customer can find an item of interest, touch the item name, and have the screen display the store's floor plan. The system then draws a tracer line to the item's location in the store and prints this location on the screen, i.e., Aisle 6, left side. Major clients for this application include Stop & Shop, Kroger, Inc. and Hannaford Brothers.

Additionally, Cramer develops custom applications. It has developed and installed three customer-service-oriented applications for New England Telephone, including a service connect, service disconnect, and ordering application for Custom Calling Services.

Harbor Medical Devices, Inc.

Boston

In June 1987 MTDC made a \$250,000 equity investment in Harbor Medical Devices, a start-up company founded in 1986 to develop, manufacture and sell single-use, implanted and invasive medical devices which represent significant breakthroughs in the medical instrumentation market.

Harbor Medical's first product under development is an improved infusion access port - a completely implantable vascular access device which provides long-term venous or arterial pathways for drug and nutrition infusion and also for blood withdrawal.

Also under development is a Controlled Environment Device (CED) which provides long-term, slow delivery of drugs. Delivery is accomplished through encapsulation of a drug in a polymer, which erodes over time releasing the drug. This technology will alleviate many of the infection-related limitations and complications of patient-connected devices.

Co-investing with MTDC in this first-round financing were Claflin Capital, EG&G, Inc. and a group of private individuals.

Kronos Incorporated

Waltham

In April 1987 MTDC invested \$200,000 of PRIT equity funds in Kronos Incorporated.

Since its founding in 1977, Kronos has grown rapidly to become the recognized technology leader in computerized time accounting and labor management systems. Kronos is the first American company to design, engineer and manufacture a

complete family of time and attendance products. Systems are available for organizations of all sizes and payroll practices, including retail, service, healthcare and manufacturing. The choice of functions ranges from basic automated time recording and time calculating to sophisticated PC-based systems.

The company currently has six products and is planning the introduction of a new line, the Jobkeeper Central System, which will be used to collect and report job-related labor data from terminals located on the work floor.

MTDC's investment in Kronos was made from the \$2 million of Massachusetts Pension Reserves Investment Trust (PRIT) funds which MTDC manages for the Pension Reserves Investment Management (PRIM) board. Kronos is MTDC's fourth investment of PRIT funds.

MTDC's co-investors in this round of financing included a consortium of private venture capital firms, private individuals, and Kronos directors and management.

MicroTouch Systems, Inc.

Woburn

In September 1986 MTDC made a \$250,000 combined debt/equity investment in MicroTouch Systems, founded in 1982 to design, manufacture and sell high-performance touch screen hardware and software products on an OEM basis.

Touch screens are transparent, touch-sensitive coverings for CRT displays and have two

components - a glass overlay and a controller which digitizes the signal. The company's product provides a high degree of touch resolution, optical clarity, durability and reliability.

Touch screens represent an ideal solution to the problem of providing an easy-to-use intuitive interface to complex, computer-based equipment. These devices require little training to operate and no intermediary input device such as a keyboard or mouse. Demand for touch screen products is expected to grow dramatically, since they are uniquely suited to end users with little or no computer skills.

Joining MTDC in this round of financing were Corning Capital, First Chicago Venture Capital, Global Investments and Pioneer Capital.

Tytronics Incorporated

Waltham

In June 1987 MTDC made a \$225,000 debt investment in Tytronics, founded in 1984 to develop and sell industrial wet chemical analyzers to the process industries.

The company's first product line, the FPA 300™, is a series of application-specific, on-line, process-hardened wet chemical analyzers which can continuously sample chemical concentrations at the field site. Typical examples are the measurement of pickling acids and iron in steel processing, caustic and peroxide in textile bleaching processes, caustic and freon in chemical scrubbers, and alkalinity in food processing. The analyzer is often the "smart sensor" in a closed-

loop control system. To date, the company has shipped more than 60 units.

Initially capitalized by its four founders, Tytronics has received three subsequent rounds of financing. EG&G, Inc., who had invested in Tytronics previously, joined MTDC in this round also. The new funds will be used to support the company's projected growth and its entry into diverse markets in the coming years.

XRL, Inc.

Norwell

In June 1987 MTDC completed a two-stage equity investment totaling \$416,667 in XRL, a start-up company founded in 1984 to design, manufacture and market a state-of-the-art laser-based system to repair memory devices and to program logic devices produced by semiconductor manufacturers.

The company's first product, the XRL Model 525 Laser Programming and Repair System, is designed to fill the growing need for high-precision positioning and increased throughput for these advanced devices. XRL has received its first order from a prestigious customer and has already signed distribution agreements in Japan and the United States.

MTDC's partners in this two-stage financing included EG&G, Inc., EG&G Venture Partners, Sprout Capital, Fairfield Ventures, First Chicago Venture Capital and Turner Revis Associates.

MTDC Publicly-Traded Companies

Name	IPO Date	Initial Investment Date	Exchange	Product Description
Spire	12/83	11/79	OTC	Alternative Energy — Photovoltaics
DISCOM	7/84	1/80	OTC	Video Display Deflection Yokes
Vitronics	10/84	5/83	OTC	Infra-red Technology
Pacer Systems	7/85	6/81	British Unlisted Securities Market	Avionics
Cambridge Analytical	4/86	3/85	OTC	Hazardous & Toxic Waste Analysis
Interleaf	6/86	8/82	OTC	Electronic Publishing Software
Xylogics	3/87	4/80	OTC	Computer Disc Controllers

The above schedule describes each company in which MTDC had made an investment and which subsequently undertook an initial public offering of its securities.

One of the traditional ways in which venture capital investors realize a return on their investments is through the registration and sale of a portfolio company's stock in a public securities market. By the end of FY87, seven of the companies in which MTDC invested had "gone public."

In two companies, Spire and Pacer, MTDC sold its entire interest, resulting in a net gain of \$330,227. In the case of Vitronics, MTDC sold a portion of

its interest, resulting in a net gain of \$88,000. During FY87, MTDC realized \$2,348,405 in gains on the sale of a portion of its interest in Interleaf and a gain of \$445,500 on the sale of its entire interest in Xylogics. The balance of the Interleaf stock, together with securities in DISCOM, Vitronics and Cambridge Analytical, are still held by MTDC. These will be liquidated when:

- 1) the provisions of SEC regulations and contractual obligations permit their sale,
- 2) the value of the securities

will yield an optimal gain, and 3) MTDC requires liquidity to meet operating and new investment fund needs.

The value of MTDC's holdings in DISCOM, Vitronics, Cambridge Analytical and Interleaf fluctuates with the value of their stock in the public market. As of June 30, 1987, the total value of these securities, based upon the market bid price at that date, was \$2,097,000. In accordance with MTDC's accounting policies, the values of these publicly-traded securities are stated at cost in the enclosed financial statements.

Auditors' Opinion



Massachusetts Technology Development Corporation:

We have examined the balance sheets of Massachusetts Technology Development Corporation as of June 30, 1987 and 1986 and the related statements of revenues, expenditures, and changes in fund balances for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of the Corporation at June 30, 1987 and 1986 and its revenues, expenditures, and changes in fund balances for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

A handwritten signature in cursive script that reads "Deloitte Haskins + Sells".

July 27, 1987
Boston, Massachusetts

Financial Statements

Balance Sheets, June 30, 1987 and 1986

ASSETS

	Notes	1987	1986
GENERAL SUPPORT:			
Cash and cash equivalents		\$ 972,741	\$ 143,962
Interest receivable		74,822	25,126
Other receivables:			
Sale of investment		1,166	125,000
Insurance proceeds			50,000
Prepaid expenses and deposits		14,724	23,975
Leasehold improvements and office equipment - at cost less accumulated depreciation and amortization of \$62,317 in 1987 and \$41,332 in 1986	2	58,440	38,327
Restricted cash and cash equivalents	5	758,437	351,437
Total general support		<u>1,880,330</u>	<u>757,827</u>
RESTRICTED FOR INVESTMENT PROGRAMS:			
Cash and cash equivalents	2, 3	4,366,290	2,387,446
Grants receivable	3	500,000	800,000
Investments	2, 3	5,567,324	4,379,803
Total restricted		<u>10,433,614</u>	<u>7,567,249</u>
TOTAL ASSETS		<u>\$ 12,313,944</u>	<u>\$8,325,076</u>

LIABILITIES AND FUND BALANCES

GENERAL SUPPORT:			
Accrued liabilities		\$ 124,250	\$ 62,600
Fund balance		1,756,080	695,227
Total general support		<u>1,880,330</u>	<u>757,827</u>
RESTRICTED FOR INVESTMENT PROGRAMS:			
Fund balance	3	10,433,614	7,567,249
TOTAL LIABILITIES AND FUND BALANCES		<u>\$ 12,313,944</u>	<u>\$8,325,076</u>

See notes to financial statements.

**Statements of Revenues, Expenditures, and Changes in Fund Balances
for the Years Ended June 30, 1987 and 1986**

		1987		1986	
	Notes	General Support	Restricted Funds	General Support	Restricted Funds
REVENUES:					
Appropriation —					
Commonwealth of Massachusetts		\$ 148,000		\$ 148,000	
Grants —					
Commonwealth of Massachusetts	3		\$ 500,000		\$ 800,000
Gains on equity investment	2	3,697,564		142,093	
Interest earned	2	433,713		375,429	
Management fee income	8	60,000		15,000	
Gain on disposition of assets				47,316	
Miscellaneous		4,385		3,840	
Total revenues		4,343,662	500,000	731,678	800,000
EXPENDITURES:					
General Support	4	812,609		715,690	
RECOGNIZED LOSSES ON INVESTMENTS			(103,835)		(923,367)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		3,531,053	396,165	15,988	(123,367)
INTERFUND TRANSFER	5	(2,470,200)	2,470,200		
FUND BALANCES, BEGINNING OF YEAR		695,227	7,567,249	679,239	7,690,616
FUND BALANCES, END OF YEAR		\$1,756,080	\$10,433,614	\$ 695,227	\$7,567,249

See notes to financial statements.

Notes to Financial Statements

1. Organization and Operations

Massachusetts Technology Development Corporation was created as a body politic and instrumentality of the Commonwealth of Massachusetts on October 19, 1978 pursuant to Chapter 497 of the Acts of 1978. The purpose of the Corporation is to provide financial and other assistance to innovative enterprises in Massachusetts that have the potential to expand and generate new jobs and tax revenues. The Corporation is governed by a Board of Directors consisting of eleven members, eight of whom are appointed by the Governor from the private sector and three of whom are public officials.

The Corporation is successor to the Massachusetts Science and Technology Foundation (which was simultaneously dissolved) and assumed all rights, assets and liabilities of the Foundation. Appropriations from the Commonwealth have been a significant source of funding for both the Corporation and its predecessor. Certain appropriation acts imposed an obligation to reimburse the Commonwealth for amounts appropriated for operations; however, in 1972, the Massachusetts Attorney General issued an opinion that "such continued funding by the Commonwealth suggests that the Legislature is mindful that the Foundation requires state support until such time as it is able to be self-supporting." Accordingly, the liability to the Commonwealth, if any, is not included in the accompanying financial statements. Such appropriations total \$2,416,810 since inception.

2. Summary of Significant Accounting Policies

Property and Equipment

Property and equipment are stated at cost and are being depreciated on a straight-line basis over estimated useful lives ranging from three to ten years.

Investments

Investments, consisting of notes receivable and investments in capital stock (Note 3), are recorded at cost. Upon the occurrence of a specific event which creates a decline in value which is determined to be other than temporary, the investment is written down and an investment loss is recognized. Interest earned is credited to the Corporation's General Support Funds. Gains on investments are credited to the Corporation's General Support Funds when realized and losses are charged against Restricted Fund Balances. Repayments of principal and proceeds from the sale of equity investments (to the extent of the cost basis) remain in funds restricted for investment programs. During the years ended June 30, 1987 and 1986, the Corporation realized gains on investments totaling \$3,697,564 and \$142,093, respectively. For the years ended June 30, 1987 and 1986, the Corporation charged \$103,835 and \$923,367, respectively, against restricted funds as losses on investments.

Income Taxes

The Corporation, as an instrumentality of the Commonwealth, is not required to pay federal or state income taxes.

3. Investment Programs

Sources of Funds

The Corporation's original investment funds were provided in 1979 by a \$2,000,000 grant (including \$28,000 in start-up costs) from the Economic Development Administration (EDA), U.S. Department of Commerce. Under this grant, the Corporation makes loans from a Revolving Loan Fund to eligible borrowers, defined as Massachusetts-based businesses with operations involving a significant amount of technology, which are located in EDA Title IV redevelopment areas and which meet the requirements of the Corporation's enabling act.

During the year ended June 30, 1981, the Corporation was awarded a \$1,000,000 grant under the Corporations for Innovation Development (CID) program of the U.S. Department of Commerce. The grant award was for the purpose of establishing another revolving loan fund to assist in the creation and development of small, innovative high-technology companies in Massachusetts. In addition, the Commonwealth of Massachusetts appropriated \$1,000,000 to the Corporation as matching funds for the federal grant. The Commonwealth appropriation is restricted to a revolving equity investment fund.

During the past several years, the Commonwealth of Massachusetts has annually appropriated additional funds to augment the Corporation's investment fund. For the years ended June 30, 1987 and 1986, such appropriated amounts totaled \$500,000 and \$800,000, respectively, bringing the cumulative total of such appropriations to \$4,450,000.

Investments

During the years ended June 30, 1987 and 1986, the Corporation made loans and equity investments in aggregate amounts of \$2,384,706 and \$641,720, respectively. The terms of some notes include an equity participation feature such as rights to convert to stock at a predetermined price or warrants to purchase common stock, in addition to interest due monthly at rates varying from 9% to 17% per year. Repayment of principal is generally due in monthly installments ranging from thirty-six to sixty months commencing six months to five years from the date of the loan. Such principal payments, however, are subordinated to the payment of certain senior debt of the borrowers.

Notes to Financial Statements

A summary of investment activity is as follows:

	Notes Receivable	Equity Investments	Total
Investments made:			
1980 through 1985	\$ 4,389,353	\$ 3,171,349	\$ 7,560,702
1986	316,000	325,720	641,720
1987	<u>1,163,465</u>	<u>1,221,241</u>	<u>2,384,706</u>
Total investments	5,868,818	4,718,310	10,587,128
Less loan principal repayments and equity investment costs recovered	(3,014,627)	(811,591)	(3,826,218)
Loss on investments:			
1983-1985	(116,384)	(50,000)	(166,384)
1986	(568,281)	(355,086)	(923,367)
1987	<u> </u>	<u>(103,835)</u>	<u>(103,835)</u>
INVESTMENT BALANCE, JUNE 30, 1987	<u>\$ 2,169,526</u>	<u>\$ 3,397,798</u>	<u>\$ 5,567,324</u>

As of June 30, 1987 and 1986, there were outstanding commitments for loans and capital investments totaling \$540,600 and \$250,000, respectively.

4. General Support Expenditures

The Corporation's General Support Expenditures for the years ended June 30, 1987 and 1986 were as follows:

	1987	1986
Personnel costs	\$ 544,699	\$ 480,468
Professional expenses	36,457	31,909
Occupancy costs	89,497	79,975
Office services and supplies	71,526	59,262
Travel, meetings and conferences	33,996	28,618
Publications and advertising	17,615	21,833
Miscellaneous	<u>18,819</u>	<u>13,625</u>
Total expenditures	<u>\$ 812,609</u>	<u>\$ 715,690</u>

**5. Restricted Cash -
General Support**

During the year ended June 30, 1987, the Board of Directors voted to restrict a total of \$758,437 of General Support funds for certain investment-related activities, and for the year ended June 30, 1987, to transfer \$2,470,200 from General Support funds to Restricted for Investment Program funds.

6. Office Facility Lease

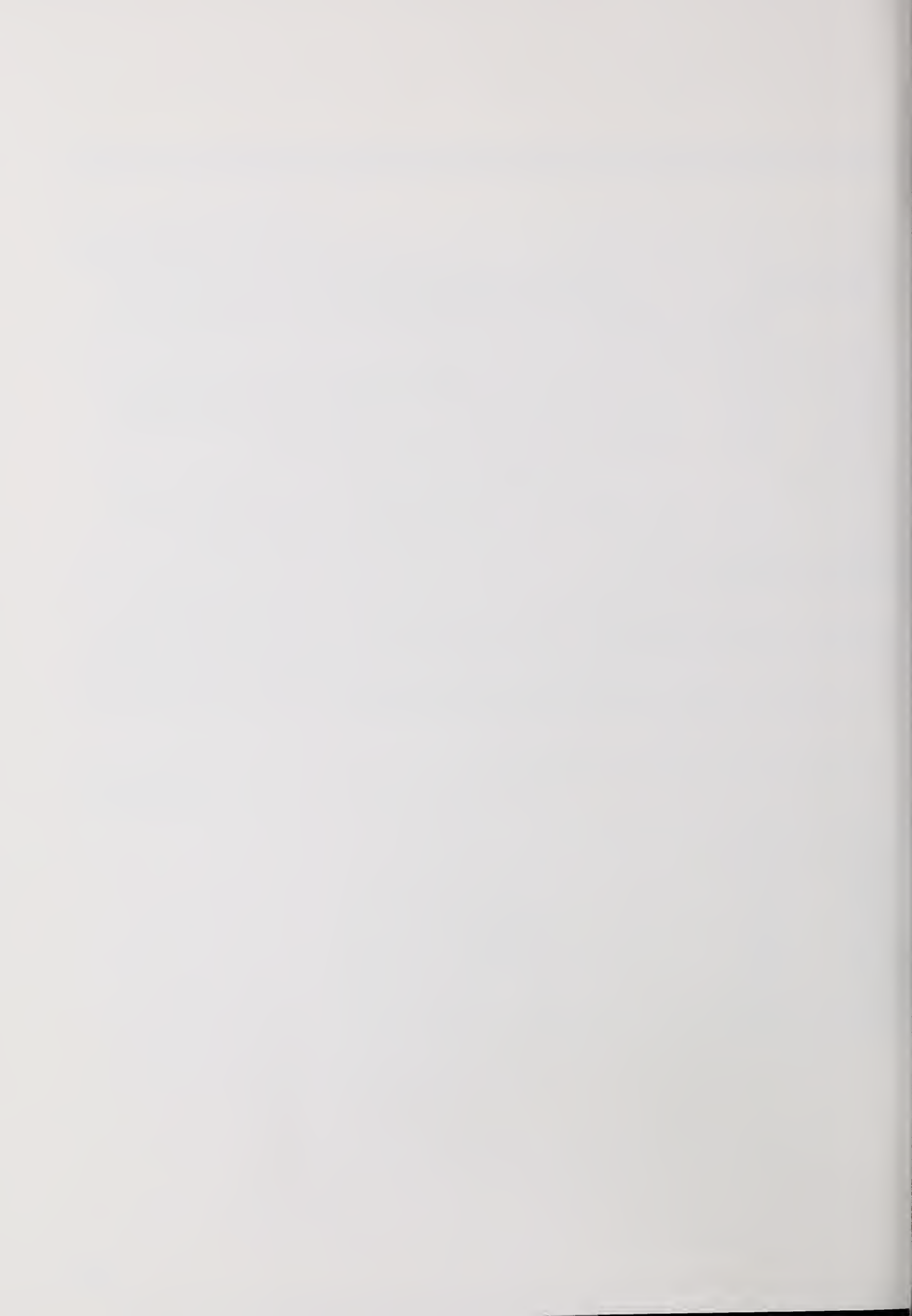
The Corporation has a lease commitment for office space extending through April 1988. The agreement provides for base rent plus operating and tax escalation clauses. Minimum base rental commitments under this agreement are: 1988, \$57,500. Rent expense for the years ended June 30, 1987 and 1986 approximated \$81,000 and \$66,000, respectively.

7. Pension Plan

The Corporation has a defined contribution pension plan covering substantially all employees. Terms of the plan require the Corporation to make minimum annual contributions of 10% of salaries. Contributions charged to expense in 1987 and 1986 approximated \$40,400 and \$34,600, respectively.

8. Management Fee Income

On March 31, 1986, the Corporation entered into an agreement with the Pension Reserves Investment Trust (PRIT) whereby the Corporation will provide investment advisory and management services relative to \$2 million of PRIT assets. The Corporation will receive an annual management fee of \$60,000 for its services which was prorated to \$15,000 for the period ended June 30, 1986. In addition, the Corporation is entitled to receive 20% of all distributions resulting from the sale of investments after the original contribution to the investment fund of \$2 million has been returned to PRIT.



Legal Counsel
Palmer & Dodge
Boston, Massachusetts

Auditors
Deloitte Haskins & Sells
Boston, Massachusetts

Bankers
Shawmut Bank of Boston, N.A.
Boston, Massachusetts

Electronic Publishers
SIS, Inc.
Boston, Massachusetts

Printers
Blanchard Press
Boston, Massachusetts

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